



## THE ENFIELD FIRST-TIME



## HOMEBUYER PROGRAM



# **GUIDELINES FOR THE ENFIELD FIRST-TIME HOMEBUYER PROGRAM**

Enfield Community Development Loan Program

(Effective August 2004)

## **Purpose and Priorities**

The purpose of the Enfield First-Time Homebuyer Loan Program (FTHB) is to make funds available to help low-and moderate-income households purchase existing housing units in the Town of Enfield at an affordable price. The Enfield Office of Community Development will promote the availability of funding to all eligible Applicants without regard to race, color, religion, national origin, sex, marital status, and age. Federal regulations issued under the Equal Credit Opportunity Act (ECOA) prohibits creditor practices that discriminate based on any of these factors.

## **Forms of Assistance**

### **Financial Assistance for Mortgage Buy-down, Down-payment, Closing Costs**

This Program enables the Town of Enfield to increase the purchasing power of first time homebuyers. In essence, this money is the gap funding the Applicant needs to meet the rising cost of housing in Enfield. A portion of the funds may also be used for down-payment or closing costs assistance. This money becomes a second deferred mortgage on the property. Funding comes from the Federal and State Community Development Block Grant (CDBG) program through the Town of Enfield Office of Community Development (OCD). The maximum mortgage buy-down loan is \$20,000 per Applicant. The maximum down-payment or closing cost loan is \$10,000 per Applicant. Total loan value shall not exceed \$20,000.

## **Forgivable Loan Program**

The Enfield FTHP program provides a forgivable loan option to all low and moderate income home buyers. In a forgivable loan program, the loan principle is reduced annually over a predetermined time period. The loan is forgiven if the homeowner remains in the house for the full term of the loan.

**For example:**

<b>Loan Duration</b>	<b>Payback Percentage</b>
Year 1	100%
Year 2	90%
Year 3	80%
Year 4	70%
Year 5	60%
Year 6	50%
Year 7	40%
Year 8	30%
Year 9	20%
Year 10	0%

Under this scenario, if the homeowner were to sell the property in the 5<sup>th</sup> year, the seller would repay 60% of the total loan value.

**Loan rates, terms, and conditions are set by the Office of Community Development and are determined by the applicant's income status and ability to repay the loan. All loan determinations are subject to a Loan Review Committee process that will affirm the applicant's eligibility.**

## **I. PROGRAM ELIGIBILITY**

### **A. LOW-AND MODERATE-INCOME PROGRAM**

#### **Purpose**

To provide financial assistance for the purchase of permanent housing anywhere in the Town that benefits low-and moderate-income households. Only residential housing under the following guidelines shall qualify:

#### **Definitions**

- 1. Eligibility** – Households may be eligible based on the number of persons in the household and the total household income. All income earned by all members of the household (except for dependent children) is calculated for purposes of determining if the household is eligible to receive funding assistance. Total household income must not exceed the federal income limits for Community Development Block Grants. Such income limits are updated

annually by the U.S. Department of Housing and Urban Development (“HUD”). Current income limits (2004) for Hartford County are as follows:

Number in Family	Low Income	Moderate Income
1- person household	\$27,150	\$40,250
2- person household	\$31,050	\$46,000
3- person household	\$34,900	\$51,750
4- person household	\$38,800	\$57,500
5- person household	\$41,900	\$62,100
6- person household	\$45,000	\$66,700
7- person household	\$48,100	\$71,300
8 or more- person household	\$51,200	\$75,900

2. **First-Time Homebuyer** – Any Applicant who has not owned real estate for their primary residence or any other real property in the last three years. This restriction may be waived by the Director of Community Development for Applicants recently divorced, widowed, or victims of domestic violence.
3. **Market Rate** – Unless otherwise indicated, the average mortgage rate for a 30-year fixed rate mortgage from one of the lending institutions doing business with the Town of Enfield First-Time Homebuyer Program.
4. **OCD** – Office of Community Development acts on behalf of the Town of Enfield to run and administer the First-Time Homebuyer Program (FTHP).
5. **HQS** – Housing Quality Standard set by the Federal Department of Housing and Urban Development.
6. **Persons with a Disability** - Individuals with an inability to pursue particular functions based on a mental and/or physical impairment. Documentation of disability income is required.

#### B. ELIGIBILITY

1. The Applicant is a first-time homebuyer
2. The property must be the primary residence of the Applicant(s) for the duration of the loan.
3. **Applicants do not have to live in Enfield when they apply** for the program assistance.
4. **The property** to be purchased must be a single-family house, condominium, or a two- to four-family structure and must be located in

Enfield. **Please be advised, rent increases for multifamily apartment shall not exceed the Fair Market Rent levels as determined by HUD for the life of the forgivable loan.** FMR information can be obtained from the OCD.

5. The Applicant receives a **certificate of participation from an approved homebuyer-counseling program.**  
Co-Opportunity Inc. 860-236-3617  
Mutual Housing of Hartford 860-547-1205  
Urban League 860-527-0147
6. The household meets the **income limits** for the CDBG and HOME programs. The Federal government requires households receiving Federally funded downpayment assistance to have an adjusted gross income, as defined by the Internal Revenue Service, below 80% of the Hartford County Median Income (MFI).
7. **Applicants Who Withdraw** – Except as provided hereafter, Applicants who withdraw from the process after submitting their application but prior to receiving commitment shall not be allowed to reapply for a period of two years. Applicants who withdraw after commitment shall not be allowed to apply for a period of four years. Exception: either of the above waiting periods may be waived at the discretion of the OCD. Any applicant who withdraws from the process after submitting their application will forfeit their \$100.00 application fee.
8. **Non-Displacement Policy** - Funds will not be provided towards the purchase of any property if any existing rental tenant(s) will be displaced upon change of ownership that would invoke the Town of Enfield Residential Anti-displacement and Relocation Assistance Plan under Section 104(d) of the Housing and Community Development Act of 1974, as amended.
9. **Lead Paint Regulations** - Before occupancy, all units must comply with the new lead paint regulations issued under Title X ("ten") of the Housing and Community Development Act of 1972. The new regulation appears within title 24 of the Code of Federal Regulations as part 35 (24 CFR 35). Please ask OCD staff for clarification on the new Federal lead paint regulations.
10. **Home Inspection** - Before occupancy, all units must be inspected by a licensed Home Inspector, and a inspection report must be submitted to the OCD prior to the closing.

## II. TYPES OF ASSISTANCE

### A. MORTGAGE BUYDOWN ASSISTANCE

The Town of Enfield will enable the Applicant to increase their buying power. These funds will be a second place deferred mortgage on the property. The maximum mortgage buy-down is \$20,000 per application. The funds will be paid directly to the lending institution from the OCD.

### B. INTEREST RATES

Interest Rates for conventional loans are dynamic. They are constantly adjusted in reaction to changes in the economy. Due to these fluctuations, the interest rates for the Town's Community Development loan programs should be adjusted accordingly. The Town shall set its interest rates based on the conventional Prime Rate annually. In most cases the Town rate shall be set below the Prime Rate as to provide an incentive to the loan recipient.

Loan rates are to be set by the Town and may vary between 0% to 12% depending on a property owner's income and/or cost of operating the property and/or ability to repay the loan. The rate of the Town loan shall vary for each case based on prevailing conventional interest rates and rates of private loans secured by the property owner. The interest rate for the Town loan will be fixed for the life of the loan.

The Town shall set a range of interest rates for various income levels of property owners. Interest rates shall be set below conventional interest rates to provide an incentive for the loan recipient.

### C. DOWNPAYMENT/ CLOSING COST ASSISTANCE

1. The Applicant will qualify for downpayment and/or closing cost assistance if they meet the criteria to qualify for the mortgage buy-down assistance. The need will be determined by the OCD Staff after the lending institution issues a good faith estimate for closing costs and down payment. Once that amount has been determined the Applicant's resources will be reviewed and need determined. The loan funds **will not cover points** to reduce interest rates.
2. The **maximum amount** of Down Payment / Closing Cost assistance is **\$10,000.**
3. These funds will be provided in the form of a loan and may be provided for a deposit to the real-estate agent and seller if needed. This will be at

the approval of OCD. In the event that the Applicant determines to sell, convey, or otherwise dispose of the property during the term of the loan, the Applicant shall repay the entire awarded grant funds to the Town with 0% interest. The amount to be repaid is prorated to the amount of time the applicant has stayed in the property.

4. The Office Community Development shall be advised in advance of any intent to sell or otherwise dispose of grant-assisted property.

### III. GENERAL FTHB GUIDELINES

#### A. APPLICATION PROCESS

- Applications may be obtained at the Town of Enfield, Office of Community Development, 786 F, Enfield Street, Enfield, CT 06082.
- Applicants must submit *all required materials* including a pre-approval letter from the lending institution with whom they chose to obtain a first mortgage, a certification that s/he has completed an approved homebuyer counseling class and a signed FTHB application with a check for \$100.00 payable to the Town of Enfield. [The application simply states that the Applicant(s) has read and understands the FTHB Guidelines and agrees to abide by all terms and conditions of the Program.]
- All applications will be stamped to show the date received by the OCD.
- Applications will be **reviewed for initial eligibility in order of submission**.
- If an Applicant does not adequately complete the application in its entirety, the OCD will return the application, noting the omitted information. The Applicant may choose to complete and resubmit his/her application.

#### B. PRELIMINARY ELIGIBILITY DETERMINATION

Once an Applicant is determined to be eligible, they will receive a letter from OCD confirming their eligibility status within the program. **If approved**, funds will be reserved for a period of 90 days, or by the set closing date on the offer, to eligible Applicants that have a fully executed offer to purchase a property in Enfield.

**A preliminary eligibility determination by the OCD is not a financial or legal commitment on the part of the OCD to a loan or a grant.**

## C. FINAL DETERMINATION

When an Applicant is notified that S/He is eligible, S/He is then encouraged to begin looking for a house to buy, unless S/He has an offer to provide OCD. Applicants should keep the OCD informed of their progress. The OCD will obtain the following documents from the Bank with whom the Applicant is working for their conventional loan as well as documentation from the Applicant. **The Applicant must authorize the Bank or Lending Institution to release required information to the OCD.**

1. Executed Purchase and Sale Agreement;
2. Letter of First Mortgage commitment or pre-approval letter from the bank or lending institution;
3. Certified property appraisal; (Fair Market Value)
4. Credit report of Applicant(s) (pulled within the past 6 months).
5. Applicants must submit a Home Inspection Report by a licensed Home Inspector.

The OCD may require additional information and documentation if necessary.

Once a fully executed Purchase and Sale agreement has been provided to the OCD, funds will be committed to the Applicant and thus provided to the lending institutions in which the first mortgage is held at settlement (closing).

## D. COMMITMENT AND CLOSING

### 1. Commitment

After receiving a copy of the fully executed Purchase and Sale agreement, the OCD will issue a First-Time Homebuyer Loan and/or Grant Commitment Letter to the Applicant. The letter will also inform the Applicant of other information, conditions, and/or materials that may be required to establish a loan closing date.

The Applicant must meet any and all requests for supplementary information, condition and/or materials as specified in the letter. The Applicant will be asked to sign the Loan and/or Grant Commitment Letter, a Truth in Lending Disclosure Statement, and a Lead Paint Notification Form.

- 15 days: An HQS inspection will be executed by the OCD staff within 15 days after a Purchase and Sale Agreement has been signed by the applicant;

### 2. Closing



The First-Time Homebuyer loan and/or grant will precede the closing on the First Conventional Mortgage. The following is a partial list of typical documents required at the closing:

1. Certificate of Municipal Lien
2. Insurance Binder for both hazard (liability) and property insurance if applicable. The OCD must appear as a loss payee as follows:

Town of Enfield  
Office of Community Development  
786 F Enfield Street  
Enfield, CT 06082

**E. TIME FRAME**

The Applicant can expect the following timeline to be followed to the best of the OCD's ability:

- 7 days: A preliminary eligibility letter will be sent within 7 days from the time the Applicant drops off the completed application;
- 10 days: A Final Determination letter will be sent within 10 days from the time all necessary documentation has been provided by the bank;
- 30-60 days: Closing with the OCD will take place within 30 to 60 days after the Applicant has satisfied all closing requirements or at a later date set by the applicant and their lending institution.

**F. LENDING INSTITUTIONS**

Applicants are encouraged to work with a local Lending Institutions who are familiar with the Enfield housing market; however, they are not limited to local Lending Institutions. However, the Town of Enfield reserves the right to investigate the lending practices of institutions for this program, and will refuse any application that attempts to obtain a loan from an institution that engages in predatory or unscrupulous lending activities.

All funding for the closing, other than OCD funding is the responsibility of the Applicant. Any procedures or requirements of the Lending Institutions will be not superceded by the FTHP.

**G. PROGRAM CONTACT**

Office of Community Development  
786 F Enfield Street  
Enfield, CT 06082  
860-253-6390  
[www.enfield.org](http://www.enfield.org)